United States General Accounting Office

GAO

Report to the Chairman, Subcommittee on Housing and Community Opportunity, Committee on Banking and Financial Services, House of Representatives

December 2000

PUBLIC HOUSING

Implementation Status of Selected Provisions of the 1998 Reform Act





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Abbreviations

HUD Department of Housing and Urban Development



United States General Accounting Office Washington, D.C. 20548

December 8, 2000

The Honorable Rick Lazio Chairman, Subcommittee on Housing and Community Opportunity Committee on Banking and Financial Services House of Representatives

Dear Mr. Chairman:

Each year, the Department of Housing and Urban Development (HUD) spends nearly \$7 billion to provide about 1.3 million units of public housing for low-income households nationwide. These units are managed by over 3,100 public housing agencies. Although public housing typically meets the basic shelter needs of its residents, concerns have been raised about how it often concentrates poor and jobless families in distressed neighborhoods and fails to provide incentives for its residents to become economically self-sufficient. To address these and other problems, the Congress passed the Quality Housing and Work Responsibility Act of 1998, also referred to as the Public Housing Reform Act (Reform Act). This legislation includes over 80 mandatory and discretionary provisions aimed at giving public housing agencies more overall flexibility to set their own policies. It also encourages self-sufficiency on the part of the residents and involves them in managing their housing through resident advisory boards. The legislation has the potential to fundamentally change the nature of public housing and the lives of its residents but can do so only if public housing agencies understand and implement the act's provisions.

Concerned about whether public housing agencies are taking advantage of the greater discretion granted by the Reform Act, you asked us to determine (1) the status of HUD's efforts to issue implementing guidance for 11 of the Reform Act's provisions and (2) the extent to which public housing agencies are implementing these provisions. In selecting these 11 provisions, of which 10 are discretionary and 1 is mandatory, you chose not to include any that HUD has already reported on. Public housing agencies can implement all but 1 of the 10 discretionary provisions included in our review. Local jurisdictions can implement the remaining discretionary provision by participating in a HUD demonstration program if their local housing agency is not a high performer. Appendix I summarizes the 11 provisions we reviewed.

To conduct our review, among other things, we surveyed 139 public housing agencies from July through August 2000. Because the provisions you selected cover both the public housing and section 8 tenant-based programs, we selected our sample from a list provided by HUD of public housing authorities that manage units under both programs.³ Because earlier work by HUD suggested that housing agencies would implement their discretionary authority differently depending on their size, our sample included the 15 largest housing agencies, which manage at least 6,600 public housing units and also manage section 8 units, and 124 other housing agencies, which manage at least 100 combined public housing and section 8 units. We selected the 15 largest agencies, which collectively manage about 27 percent of the nation's public housing inventory. We then randomly selected the 124 other housing agencies. All 15 of the largest agencies and 115 of the 124 other agencies returned completed questionnaires. This gave us an overall response rate of 94 percent. We did not independently verify the agencies' responses to our survey. Appendix II

¹HUD issued a baseline report on the uses of discretionary authority in selecting tenants, filling vacancies, determining incomes, setting rents, and reexamining rents. See *The Uses of Discretionary Authority in the Public Housing Program: A Baseline Inventory of Issues, Policy, and Practice* (HUD/PD&R, July 1999).

²HUD uses a rating system to measure public housing agencies' performance and categorizes the agencies as high, standard, and troubled performers. We recently reported on the system in *Public Housing: HUD Needs Better Information on Housing Agencies' Management Performance* (GAO-01-94, Nov. 2000).

³Housing agencies receive funds from HUD to operate and maintain public housing and administer section 8 tenant-based rental assistance programs.

provides the details of our scope and methodology, and appendix III contains the survey questions with the agencies' responses.

Results in Brief

For the 11 provisions in our review, HUD has issued final guidance for 7 and proposed guidance for 2 and has started the process of developing guidance for 2. HUD officials said that although putting final rules in place for all of the Reform Act's provisions has proved challenging, the Department has provided sufficient guidance for housing agencies to begin implementing the four provisions in our review that have not been finalized.

As would be expected, given the greater discretion provided by the Reform Act, public housing agencies appear to be tailoring their use of the 11 provisions to fit their own needs and priorities. The largest housing agencies were more likely than the others to take actions on the discretionary provisions because they generally viewed the provisions as helpful in managing their programs. Generally, the other housing agencies reported not implementing most discretionary provisions, either citing a lack of resources or noting that the provisions did not fit their circumstances. Most of the housing agencies we surveyed reported that they had implemented the mandatory provision, which relates to setting rents. HUD reviewed a draft of this report and agreed with the information presented in it.

Background

Under the United States Housing Act of 1937, as amended, the Congress created the federal public housing program to assist communities in providing decent, safe, and sanitary dwellings for low-income families. Today, more than 3,100 public housing agencies manage approximately 1.3 million public housing units. Public housing agencies are typically municipal, county, or state agencies created under state law to develop and manage public housing units. These agencies contract with HUD to provide housing in exchange for federal grants and subsidies. Although housing agencies are not federal agencies, they must adhere to federal laws and regulations. Public housing agencies also manage HUD's tenant-based section 8 program, which allows eligible households to select their own units in the private housing market and receive subsidies to cover part of their rent. HUD enters into contracts and provides payments to public housing agencies, which use these payments to provide rent subsidies to the owners of private housing on behalf of the assisted households. The United States Housing Act of 1937 generally governs HUD's public housing and tenant-based section 8 programs.

During the 1990s, the nation's public housing agencies gained broader latitude—from HUD and the Congress—to establish their own policies in areas such as tenant selection, income incentives, and rent-setting. In 1996, the Congress enacted legislative reforms that allowed public housing agencies to set minimum rents and to drop all mandatory federal preferences for admission based on hardship conditions, such as rent burden or homelessness. These reforms gave housing agencies greater control over their social and fiscal environment, enabling them to tailor their policies to local needs and conditions. Subsequently, on October 21, 1998, the Congress enacted the Quality Housing and Work Responsibility Act of 1998 (Reform Act). This act, which extensively amended the United States Housing Act of 1937, embodied many of these 1996 reforms. The act further increased public housing agencies' discretion and gave them more flexibility to set their own policies. For example, the act gave them permanent authority to exercise discretion in tenant selection. As a result,

⁴On October 21, 1999, HUD published the final rule to implement the statutory merger of the section 8 tenant-based certificate and voucher programs into the new Housing Choice Voucher Program.

⁵The reform act was enacted as Title V of the fiscal year 1999 appropriations act for the departments of Veterans Affairs and Housing and Urban Development and independent agencies.

they may now adopt tenant selection criteria based on local housing needs and priorities.

The Reform Act included over 80 provisions, with varying effective dates and statutorily prescribed rulemaking procedures. Some provisions went into effect when the act was enacted on October 21, 1998, while other provisions took effect later. Under the act, the Secretary of Housing and Urban Development can implement any provision in the act by notice unless otherwise indicated. The act specifies that some provisions must be implemented by rulemaking or by negotiated rulemaking. HUD's Office of Policy, Program, and Legislative Initiatives, within the Office of Public and Indian Housing, administers rulemaking for the Reform Act's provisions.

In February 1999, HUD published a *Federal Register* notice providing initial guidance on provisions that were effective immediately and identifying several provisions that would later require rulemaking. In December 1999, HUD published another *Federal Register* notice updating its implementation of the act and indicating where the guidance that had already been issued could be found. At that time, some of Reform Act's provisions did not require rulemaking, and rulemaking for other provisions was still in progress. For those provisions, the notice provided guidance that the public housing agencies should follow until HUD completed the rulemaking. Since then, HUD has published other proposed, interim, and final rules for housing agencies to implement the Reform Act.

Besides publishing guidance on the Reform Act's provisions, HUD held several training conferences during the summer of 2000 to explain how changes due to the Reform Act affected its public housing and tenant-based section 8 assistance programs. Four conferences were held for resident leaders, and two conferences were held for HUD and public housing agency staff.⁸ During these conferences, HUD provided an overview of and

⁶Notices include a *Federal Register* notice or a direct notice issued by HUD's Office of Public and Indian Housing, giving HUD staff or program participants temporary instructions or amend previous instructions for HUD programs until a handbook revision or change is issued.

⁷Rulemaking is a process through which an agency considers and formulates the issuance, modification, or repeal of a rule. Negotiated rulemaking is a process through which an agency, using a mediator, must negotiate with interested parties to develop a rule.

⁸During the conferences for HUD and public housing agency staff, about 2 days were devoted to public housing topics and about 2 days to section 8 topics.

explained many of the act's provisions, including some of those we reviewed.

HUD Has Issued Final Guidance for 7 of 11 Provisions

As of November 29, 2000, HUD had finished implementing 7 of the 11 provisions we reviewed, issued proposed rules for 2 provisions, and initiated the process to develop rules for 2 provisions, as indicated in table 1. HUD has worked to finalize the guidance for the four remaining provisions but has been hampered by several factors, including the need to devote time and resources to develop the guidance for other provisions of the act. HUD hopes to finalize the rules for the four provisions by the end of calendar year 2000. Until HUD completes the rulemaking, the December 22, 1999, *Federal Register* provides guidance for housing agencies to follow.

Table 1: HUD's Issuance of Implementing Guidance for 11 Selected Reform Act Provisions, as of November 29, 2000

Provision	Status	Date	Action
Section 561: Home Rule Flexible Grant Demonstration	Completed	February 18, 1999	Notice of initial guidance on the Reform Act published in <i>Federal Register</i>
Section 538: Linking Services to Public Housing Residents	Completed	August 10, 1999	Notice of funding availability published for the ROSS program ^a
Section 525: Site-based Waiting Lists	Completed	October 21, 1999	Final rule published in Federal Register
Section 519: Income from Nonrental Sources ^b	Completed	February 3, 2000	Public and Indian Housing Notice 2000-4 published
Section 523: Family Choice of Rental Payment	Completed	March 29, 2000	Final rule published in Federal Register
Section 555: Section 8 Homeownership Option	Completed	September 12, 2000	Final rule published in Federal Register
Section 515: Joint Ventures and Consortia	Completed	November 29, 2000	Final rule published in Federal Register
Section 533: Voluntary Conversion of Public Housing to Tenant-based Assistance	Ongoing	July 23, 1999	Proposed rule published in Federal Register
Section 536: Public Housing Homeownership	Ongoing	September 14, 1999	Proposed rule published in Federal Register
Section 516: Public Housing Agency Mortgages and Security Interests	No rule	С	С
Section 539: Mixed Finance Public Housing	No rule	С	С

^aThe Resident Opportunities and Self-sufficiency program consolidated the funding for several HUD programs.

^bSection 519 established a capital fund and an operating fund for public housing in section 9 of the United States Housing Act of 1937, as amended. Our review was limited to subsection 9(l), which allows public housing agencies to retain income from nonrental sources.

^cHUD is in the process of developing the rule for this provision. However, the December 22,1999 Federal Register notice allows public housing agencies to submit proposals under this provision.

Source: GAO's presentation of information from HUD.

While noting that HUD is working to develop final implementing guidance for all of the Reform Act's provisions, agency officials cited reasons why some provisions in our review may not yet have final rules. According to the Deputy Assistant Secretary for Policy, Program, and Legislative Initiatives, HUD set priorities for rulemaking to recognize specific deadlines in the new law, ensure the individual rights of public housing residents or section 8 recipients, and implement significant changes in law that could not otherwise be implemented. Additionally, the official said the time and resources spent on required negotiated rulemaking may have affected the development of rules for the four provisions for which rules are not yet final.⁹

Housing Agencies Differ in Their Implementation of Selected Provisions

Compared with the other housing agencies, the largest housing agencies are implementing 8 of the 10 discretionary provisions by a significantly higher percentage. The largest agencies also demonstrated more awareness of a ninth discretionary provision, which allows for converting public housing to tenant-based assistance (section 533) after submitting an evaluation report, which is due to HUD by October 2001. A tenth discretionary provision, the Home Rule Demonstration (section 561), is applicable only when agencies are not high performers, and the discretion to implement the provision lies with the local jurisdiction, not with the housing agency. Many of the agencies in our sample responded that this provision did not apply to them. Finally, most housing agencies reported implementing the one mandatory provision in our review. This provision (section 523) requires a family to choose each year whether it will pay a flat rent or a rent based on a percentage of its income.

⁹The Reform Act required HUD to develop allocation formulas for the capital fund, operating fund, and section 8 renewals through negotiated rulemaking procedures. Our review did not include these formulas.

Largest Housing Agencies Are Taking More Actions to Implement 8 of 10 Discretionary Provisions As table 2 indicates, a significantly higher percentage of the largest housing agencies we surveyed reported taking actions to implement 8 of the 10 discretionary provisions we reviewed. Consistent with their actions, the largest agencies also more often viewed these discretionary provisions as helpful in managing their public housing or tenant-based section 8 programs.

Table 2: Responses of Public Housing Agencies to GAO's Survey on Their Implementation of 10 Discretionary Provisions of the Reform Act

Provision	Percentage of the largest housing agencies (Number of responses)	Estimated percentage of other housing agencies (Sampling error)
Section 533: Housing agency knew about the voluntary conversion requirement and the deadline	87% (N = 13)	24 (± 8%)
Section 515: Housing agency entered into business arrangements such as joint ventures and consortiab	80% (N = 12)	52% (± 9%)
Section 519: Housing agency received income from nonrental sources	80% (N = 12)	60% (± 9%)
Section 539: Housing agency requested HUD's approval for a mixed finance project	73% (N = 11)	8% (± 5%)
Section 538: Housing agency applied for ROSS program funding in 1999 and 2000°	67% (N = 10)	11% (± 6%)
Section 525: Housing agency maintains site-based waiting lists	53% (N = 8)	18% (± 7%)
Section 561: Local government not eligible for Home Rule Flexible Grant Demonstration because housing agency is a high performer	36% (N = 5)	42% (± 9%)
Section 536: Housing agency established a homeownership program	27% (N = 4)	8.5% (± 5.5%)
Section 516: Housing agency entered into agreements granting security interests to others	20% (N = 3)	d
Section 555: Housing agency sought HUD's approval of a section 8 homeownership program	7% (N = 1)	d

Notes:

The differences between the largest and the other housing agencies are statistically significant for all but the Home Rule Flexible Grant Demonstration provision.

Further information about each of the provisions in this table appears in appendix I.

^aThe sampling error should be added to and subtracted from the estimate to obtain the confidence interval for the estimate. See appendix II for a complete discussion of the sampling error.

^bSome of these arrangements were entered into before the Reform Act was passed.

The Resident Opportunities and Self-sufficiency program consolidated the funding for several HUD programs.

^dEstimate does not differ significantly from 0.

Source: GAO's survey data.

The largest agencies were also more aware of the requirements of a ninth provision concerning the voluntary conversion of public housing stock. This provision—section 533—requires housing agencies to evaluate the continued operation of their units as public housing and to compare this option with the conversion of the units to tenant-based assistance. While housing agencies are not required to submit this evaluation report to HUD until October 1, 2001, a greater percentage of the largest housing agencies were aware of this requirement. However, these agencies were either uncertain whether the provision would help them in managing their operations or thought it would hinder their program management. Only one of the largest housing agencies viewed the provision as helpful. Many of the other housing agencies reported not being aware of the provision, and most, like the largest housing agencies, were uncertain of its effects or believed it would hinder their management.

Agencies Cited Several Reasons for Not Implementing Particular Provisions

The housing agencies cited several reasons for not taking actions to implement the discretionary provisions. Those most frequently cited were a lack of resources and the perception that the provisions did not fit the agencies' needs. Another provision, which under certain conditions allows a local jurisdiction to administer an agency's public housing and section 8 tenant-based funds, applies only to agencies that are not high performers, and many of the agencies we surveyed reported that they were high performers.

A lack of resources was one reason many other housing agencies gave for not implementing several provisions. For example, they often did not seek approval for mixed-finance public housing (section 539) because they did not have the funds necessary for such an undertaking. Likewise, many other housing agencies reported not applying for funding to link services to public housing residents (section 538) because they did not have the time and/or technical expertise to prepare the grant application or they found the provision administratively burdensome.

The perception that provisions were not applicable to their needs or would not be of value to them was another frequently cited reason for not taking actions to implement certain discretionary provisions. Many agencies reported not establishing site-based waiting lists (section 525) because they had determined that centralized waiting lists were more appropriate to their needs. For example, one agency reported not adopting site-based waiting lists because it had few developments that were near each other. Likewise, some of the largest agencies had not entered into agreements to mortgage or sell security interests in their public housing developments (section 516) because they did not see the benefits of doing so.

Section 561, the Home Rule Flexible Grant Demonstration, applies only when housing agencies are not high performers. Five of the 14 largest housing agencies and many of the others reported that they were high performers and, therefore, their local jurisdiction could not participate in the program. If a housing agency is not a high performer, this provision allows the local jurisdiction to assume responsibility for and administer the agency's public housing and section 8 tenant-based funds for 1 to 5 years. However, half of the largest housing agencies reported that the demonstration project would greatly hinder their ability to operate and manage their programs. Many of the other housing agencies were uncertain of the provision's effects or indicated it would neither hinder nor help their operations.

Most Housing Agencies Report Compliance With the Mandatory Provision

Most of the largest and other housing agencies reported that they had complied with the mandatory provision on the household's choice of rental payment (section 523) by issuing the required statement of policy on public housing rents. Most of the housing agencies had established a policy, and most had fully implemented the policy. The agencies that had not established or implemented a policy cited various reasons. For example, one housing agency reported it was awaiting approval from its board of directors, and another said it was developing a marketing strategy to attract working families.

Conclusions

One objective of the Reform Act was to provide the nation's public housing agencies with greater discretion over many aspects of their public housing and tenant-based section 8 programs. In the 2 years since the legislation was passed, it seems that HUD has provided sufficient guidance for housing agencies to begin making use of their expanded discretionary authority. In deciding how to exercise their discretionary authority, public

housing agencies indeed appear to be tailoring their policies to fit their own perceived needs and priorities, adopting those they believe will help them manage their programs.

Agency Comments

We provided HUD with a draft of this report for its review and comment. HUD officials advised us that they agreed with the information presented in the report and provided technical clarifications, which we incorporated as appropriate.

We performed our work between April 2000 and October 2000 in accordance with generally accepted government auditing standards. As noted, appendix II discusses our scope and methodology.

As arranged with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days after the date of this letter. At that time, we will send copies to the Honorable Andrew M. Cuomo, Secretary of Housing and Urban Development, and other interested parties. We will also make copies available to others on request.

If you have any questions about this report, please call me or Carol Anderson-Guthrie at (214) 777-5739. Other key contributors to this report are listed in appendix IV.

Hanly J. Geroinhi

Sincerely yours,

Stanley J. Czerwinski

Director, Physical Infrastructure

Summary of 11 Selected Provisions of the Reform Act and Their Effective Dates

Provision	Effective date	Summary of provision
Mandatory:		
Section 523: Family Choice of Rental Payment	October 1, 1999	Section 523 amends section 3(a) of the United States Housing Act of 1937 (U.S. Housing Act). This section requires housing agencies to develop policies that give families a choice, to be exercised annually, of paying rent as either (1) an amount that shall not exceed 30 percent of their adjusted gross income or (2) a flat rent, which the public housing agency is to determine for each unit in its inventory. In making these rent determinations, public housing agencies are to strive to develop rent structures that do not create disincentives for residents to work and become self-sufficient.
Discretionary:		
Section 515: Joint Ventures and Consortia	October 1, 1999	Section 515 creates a new section 13 of the U.S. Housing Act. This section permits any two or more public housing agencies to form a consortium to receive assistance and allows public housing agencies to enter into joint ventures, partnerships, or other business arrangements with other entities to administer public housing programs. Under this section, public housing agencies will have great flexibility in determining the scope of responsibility of any consortia they may form. For example, two public housing agencies may form a consortium for the purpose of sharing managerial responsibilities, administering a joint section 8 program, or effecting a complete merger. Public housing agencies will also be able to retain amounts generated from activities carried out under this section without incurring a reduction in funds provided under the operating or
Section 516:	October 1, 1999	capital funds or other funding sources provided under the Reform Act. Such amounts must be used for low-income housing or the benefit of the residents. Section 516 adds a new section 30 to the U.S. Housing Act to allow
Public Housing Agency Mortgages and Security Interests	October 1, 1999	public housing agencies to mortgage or grant a security interest in any project where approved by HUD. In making such authorization, HUD may consider the ability of the public housing agency to use the proceeds of the mortgage or security interest for low-income housing, the ability of the public housing agency to make payments on the mortgage or security interest, and other criteria. Section 516 also provides that no action taken under this provision shall result in any liability to the federal government.
Section 519:	February 3, 1999	Section 519 of the Reform Act amends section 9 of the U.S.
Public Housing Capital and Operating Funds		Housing Act to establish a capital fund and an operating fund for public housing. Section 9(I) provides that income from nonrental sources (as determined by the Secretary) is to be retained by public housing agencies and used only for low-income housing or the benefit of assisted residents, without any decrease in the amounts received by the housing agency from the capital and operating formula accounts.

Appendix I Summary of 11 Selected Provisions of the Reform Act and Their Effective Dates

Provision	Effective date	Summary of provision	
Section 525: Site-based Waiting Lists	October 1, 1999	Section 525 adds a new provision to section 6 of the U.S. Housing Act allowing public housing agencies to establish site-based waiting lists for admission to public housing developments. This section requires any procedures for site-based waiting lists to comply with title VI of the Civil Rights Act of 1964, the Fair Housing Act, and other applicable civil rights laws. It also requires that public housing agencies provide full disclosure of any housing options available within the public housing agency to individuals applying for public housing assistance.	
Section 533: Voluntary Conversion of Public Housing to Tenant-based Assistance	October 1, 1999	Section 533 amends section 22 of the U.S. Housing Act to allow a public housing agency to convert any public housing project (or a portion) to tenant-based assistance if, after conducting a conversion assessment, the public housing agency determines the the conversion: (1) will not be more expensive than continued operation of the housing project, (2) will benefit the residents of the housing project, and (3) will not adversely affect the availability of affordable housing in the community. All public housing agencies must conduct and submit to HUD a conversion assessment no late than October 1, 2001. HUD may waive the assessment requirement or allow for a streamlined assessment.	
Section 536: Public Housing Homeownership	October 1, 1999	Section 536 adds section 32 to the U.S. Housing Act, which authorizes a new public housing homeownership program that replaces, but is substantially based on, the former section 5(h) program implemented by 24 C.F.R. part 906. This section allows public housing agencies to design homeownership programs for the sale of public housing units to public housing residents, to entities for resale to residents or other low-income persons, or directly to low-income persons. The purchasing family must provide not less than 1 percent of the downpayment from its own resources. Resale restrictions are imposed on purchasers for 5 years after sale to prevent purely speculative purchases. Homeownership programs under this section are not subject to the demolition or disposition requirements of section 18 of the 1937 act.	

Appendix I Summary of 11 Selected Provisions of the Reform Act and Their Effective Dates

Provision	Effective date	Summary of provision
Section 538: Linking Services to Public Housing Residents	October 21, 1998	Section 538 adds a new section 34 to the U.S. Housing Act to allow HUD to make grants to public housing agencies, resident management corporations, resident councils, or resident organizations for supportive services and resident empowerment activities to assist public housing residents in becoming economically self-sufficient.
		Grants may be used for (1) physical improvements to a public housing project to provide space for supportive services for residents; (2) the provision of service coordinators and congregate housing services programs for the elderly and disabled; (3) the provision of services related to work readiness and economic and job development; (4) resident management and resident participation activities; and (5) other activities designed to improve the economic self-sufficiency of residents. All grants require a match of at least 25 percent of the grant amount. The match can be in-kind and/or cash contributions.
Section 539: Mixed Finance Public Housing	October 1, 1999	Section 539 adds a new section 35 to the U.S. Housing Act. Under this section, a public housing agency may provide operating and capital funds for a "mixed-finance project" in the form of a grant, loan, or guarantee, for the construction or rehabilitation of public housing units. A mixed-finance project is one that is financially assisted by private resources, which can include low-income housing tax credits.
Section 555:	October 21, 1998	Section 555 amends section 8(y) of the U.S. Housing Act and
Section 8 Homeownership Option		authorizes a public housing agency to provide tenant-based assistance for an eligible family that purchases a dwelling unit that will be occupied by the family.
		This section amends section 8(y) in several ways to make the program more flexible and easier for housing agencies to administer by (1) allowing voucher holders to obtain homeownership through shares in a cooperative housing development or through lease-purchase arrangements, whether or not they are first-time homeowners; (2) altering the assistance formula for families receiving assistance for homeownership, so as to make it comparable to the new formula for tenant-based assistance; (3) allowing public housing agencies to contract with a nonprofit entity to administer the program; (4) allowing participation only if the public housing agency determines that the families have sufficient resources; and (5) eliminating the requirement that at least 80 percent of the down payment amount must come from the homebuyer's own resources.

Appendix I Summary of 11 Selected Provisions of the Reform Act and Their Effective Dates

Provision	Effective date	Summary of provision
Section 561:	October 21, 1998	Section 561 adds a demonstration program through which eligible jurisdictions, typically units of general local government, can
Home Rule Flexible Grant Demonstration		receive public housing and tenant-based assistance for up to 5 years to meet specified performance goals. Throughout the demonstration period, up to 100 jurisdictions may participate, except those served by public housing agencies designated as high performers under the Public Housing Assessment System or any successor assessment program.
		The demonstration program gives local government leaders the option to combine federal housing assistance funds into a flexible seamless grant for use in meeting the housing needs of their communities. The funds must be used by these communities to provide housing for low-income families.

Scope and Methodology

To determine the status of HUD's development of implementing rules and guidance for the 11 selected provisions of the Reform Act, we interviewed HUD officials and reviewed documents we obtained from them. In addition, we reviewed relevant HUD notices published in the *Federal Register*. We also contacted representatives of the public housing industry to discuss how housing agencies are exercising their discretion to act on the Reform Act's provisions.

To determine the extent to which public housing agencies have taken action to implement the 11 selected provisions of the Reform Act, we surveyed a random sample of public housing agencies. Specifically, we sent a mail questionnaire to a sample of 139 public housing agencies. We pretested the questionnaire at seven public housing agencies in Georgia and Maryland to ensure that our questions were clear, unbiased, and precise and that responding to the survey did not place an undue burden on the agencies. We did not verify the accuracy of the agencies' responses. We sent follow-up mailings and called agencies to stimulate responses to the survey.

From a list of public housing agencies provided by HUD, we identified 1,430 that met our criteria for sampling. These were public housing agencies that administered both public housing and section 8 units, with a combined total of at least 100 units. Housing agencies with fewer than 100 units were excluded from the public housing agency population for purposes of sampling. We included all 15 of the largest public housing agencies, which we defined as those with 6,600 or more public housing units and at least 1 section 8 unit, in our sample. We refer to these agencies in our report as the "largest" agencies. From the remaining 1,415 public housing agencies that administered at least 100 combined public housing and section 8 units, we selected a random sample of 124. We refer to these agencies in our report as "other" agencies.

Because we used a sample (called a probability sample) to develop our estimates for "other" public housing agencies, each estimate has a measurable precision, or sampling error, which may be expressed as a plus/minus figure. A sampling error indicates how closely we can reproduce from a sample the results that we would obtain if we were to take a complete count of the universe using the same measurement

Although the Puerto Rico Housing Authority is one of the largest agencies, it was not included in our sample because it does not administer any section 8 units.

Appendix II Scope and Methodology

methods. By adding the sampling error to and subtracting it from the estimate, we can develop upper and lower bounds for each estimate. This range is called a "confidence interval." Sampling errors and confidence intervals are stated at a certain confidence level. For example, a confidence interval at the 95-percent confidence level means that in 95 out of 100 instances, the sampling procedure we used would produce a confidence interval containing the universe value we are estimating.

We conducted our survey from July through August 2000. All 15 of the largest housing agencies and 115 of the 124 other housing agencies returned completed questionnaires. This gave us an overall response rate of 93.5 percent. The results we report for the random sample of 124 public housing agencies generalize to 1,312 similarly sized public housing agencies (about 93 percent of the universe of such agencies).

Because the primary purpose of our survey was to estimate the extent to which and how housing agencies were implementing their discretionary authority, no attempt was made to verify the agencies' responses or to evaluate the reported actions' conformance to HUD's rules.

We were also asked to provide descriptive information on how housing agencies were implementing a provision entitled Section 512 Community Service and Family Self-sufficiency. We contacted 46 housing agencies and obtained information on the work and self-sufficiency activities they had or planned for their residents to meet the requirements of this provision. On November 17, 2000, we briefed your staff on the results of this work.

United States General Accounting Office

GAO

Survey of Public Housing Agencies Regarding the Quality Housing and Work Responsibility Act

Introduction

The U.S. General Accounting Office (GAO) is a legislative branch agency that provides information to the U.S. Congress. We are currently surveying a sample of Public Housing Agencies (PHAs) regarding the Quality Housing and Work Responsibility Act of 1998 (QHWRA). Specifically, the Congress is interested in knowing whether PHAs have implemented selected provisions of the Act. Your PHA was randomly selected to participate in this survey.

Because we are surveying only a sample of PHAs, your answers are vital to the accuracy of our review. Please complete and return the survey within 10 days, if at all possible. This will help us avoid costly followup. If the postage-paid return mail envelope is missing, our return address is

Sherrill Dunbar U.S. General Accounting Office 441 G Street, N.W. Room 6K17R Washington, D.C. 20548-0001

If you have any questions, please contact Sherrill Dunbar toll-free at 1-888-338-7276 (email: dunbars.atlro@gao.gov).

Thank you for contributing to our review.

Analysis Note: For each response category, the numbers to the left of the slash are the statistical confidence interval for our estimate based on the percentage of responses in the random sample of PHAs. An * means that the estimate does not differ significantly from zero. The number to the right of the slash is the number out of 15 very large PHA Directors who selected that response.

Section 512 Community Service and Family Self-Sufficiency. This section of QHWRA requires certain public housing residents to participate in a monthly average of 8 hours of community service or an economic self-sufficiency program.

 Has your PHA developed a process or system to measure participation and/or monitor compliance with this requirement of the Act? (Check one.)

24-42*/8 Yes \rightarrow Skip to Question 3. 56-74*/7 No \rightarrow Please continue.

Which of the following are reasons why your PHA has not developed a process or system to address this requirement? (Check all that apply.)

63-84%/5 PHA plans to address it, but has not yet developed a process or system.

PHA did not know about the community service requirement.

8-24%/0 Wrote in "no eligible residents"

6-23%/4 Other (Please specify below.)

3. On balance, how much will this provision of QHWRA help or hinder your ability to operate and manage your public housing and/or Section 8 units? (Check one.)

22-39%/4 Greatly hinder

25-43%/5 Somewhat hinder

7-20%/0 Neither hinder nor help

2-11%/0 Somewhat help

0.1-7%/2 Greatly help

5-17%/4 Too early to tell

(10)

Section 515 Joint Ventures and Consortia. This section of QHWRA recognizes that PHAs may enter into various agreements and relationships with other PHAs and nonprofit and for-profit organizations to improve	7. Which of the following is a reason why your PHA has not entered into such arrangements? (Check all that apply.)
operations and leverage resources.	None of these arrangements is appropriate for PHA at this time.
4. Prior to QHWRA, which, if any, of the following arrangements had your PHA entered into? (Check all	8-31%/1 PHA is waiting for HUD to publish its final ruling or guidance on this provision.
that apply.)	*/0 PHA did not know about this provision.
13-27%/2 Consortia with other PHAs	3-23%/1 Other (Please specify.)
16-31%/9 Partnerships	
1-9%/6 Subsidiaries	
5-17%/6 Joint ventures	8. On balance, how much will this provision of
25-43\(\frac{\%}{12}\) Other business arrangements, including contracts	QHWRA help or hinder your ability to operate and manage your public housing and/or Section 8 units'
36-54%/2 None of the above	(Check one.)
	3-14%/0 Greatly hinder
5. Which of the following arrangements, if any, has	3-13%/1 Somewhat hinder
your PHA entered into as a result of QHWRA?	20-37%/1 Neither hinder nor help
(Check all that apply.)	4-15%/3 Somewhat help
2-12%/0 Consortia with other PHAs	3-14%/3 Greatly help
3-14%/3 Partnerships	10-24%/6 Too early to tell
<u>*/1</u> Subsidiaries	
5-16%/1 Joint ventures	11-25%/1 PHA was already doing this prior to QHWR
5-16%/4 Other business arrangements, including contracts	Section 516 Public Housing Agency Mortgages and Security Interests. This section of QHWRA allows the
64-80 <u>%/10</u> None of the above	Secretary of HUD to authorize PHAs to mortgage or otherwise grant a security interest in any housing project
 If your PHA has entered into any of these arrangements prior to or as a result of QHWRA, 	or other property of the PHA in which HUD has an interest.
check here and skip to Question 8. (Check one.)	9. Has your PHA entered into agreements pursuant to this optional provision of the Act? (Check one.)
43-61 $\frac{8}{12}$ Have entered into arrangements $\rightarrow Skip\ to$ Question 8.	$\frac{\star/3}{4^{-100}\%/12}$ Yes →Please continue.

which PHA	er this question, then skip to Question 12: Into a, if any, of the following agreements has your entered into pursuant to this optional provision Act? (Check all that apply.)	section o from sou residents	519 Income from Non-I of QHWRA allows a PHA orces other than the paym or to retain and use such in	A that receives income nent of rent from PHA necome without any
*/2	Mortgages (30-3	decrease Operatin	in the amounts received g Fund.	from the Capital or
	Deeds of trust	· ·	8	
*/1	Security deeds		s your PHA derive any or s of sources? (Check one	
	Bonded indebtedness		,	.)
	Other (Please specify.)	51-69%/12	Yes Yes	
	((33)	29-47%/3	B_ No →Skip to Question	15.
has no	n of the following are reasons why your PHA of entered into such agreements? (Check all that	incor	e QHWRA was enacted, me from these kinds of so eased, or remained about	ources increased,
apply.) (35-4(*/0	Greatly increased	(4
32-50%/3	PHA determined that such agreements would	13-33%/2	Somewhat increased	
22 510//	not benefit PHA at this time.	62-83%/10	Remained about the sa	me
33-310/4	PHA is uncertain of what would be the benefits of entering into such arrangements.	*/0	Somewhat decreased	
_*/0	PHA submitted a request to HUD but the request was denied.	*/0	_ Greatly decreased	
10-24%/3	PHA is waiting for HUD to publish its final rule on this provision.		balance, how much will this provision of WRA help or hinder your ability to operate and	
3-13%/0	PHA did not know about this provision.		nge your public housing a	and/or Section 8 units?
	Other (Please specify.)	(Che	ck one.)	(4-
		0.1-7%/0	Greatly hinder	
		*/0	Somewhat hinder	
12. On ba	lance, how much will this provision of	20-37%/1	Neither hinder nor help	•
QHW.	RA help or hinder your ability to operate and	24-41%/8	Somewhat help	
	ge your public housing and/or Section 8 units? k one.)		Greatly help	
	(41	13-27%/2	Too early to tell	
	Greatly hinder			
	Somewhat hinder			
	Neither hinder nor help			
	Somewhat help			
	Greatly help			
33_51975	Too early to tell			

Section 523 Family Choice of Rental Payment. This
section of QHWRA requires that PHAs establish a
statement of policies governing rents charged for public
housing dwelling units. Specifically, public housing
residents are afforded a choice annually whether to pay
rent based on their income or based on the rental value of
the unit.
the unit.
TO THE CALL A LANGE CONTRACTOR OF
16. Has your PHA established such a statement of
policies? (Check one.)
(4)
$3-91\%/10$ Yes $\rightarrow Please$ continue.

- 9-22%/5 No \rightarrow Skip to Question 18.
 - 17. Has your PHA fully implemented its new policy? (Check one.)
- 80-94%/6 Yes →Skip to Question 19
- 7-20%/4 No →Please continue.
- 18. Which, if any, of the following are reasons why your PHA has not established and fully implemented a new policy? (Check all that apply.)
- 15-78%/1 PHA is planning to implement when annual plan is submitted to HUD.
- 22-85%/2 PHA already had ceiling rents in place.
 - */0 PHA needs/desires additional guidance from HUD.
 - */0 PHA did not know about this requirement.
 - */3 Other (Please specify.)

- 19. How, if at all, has your new policy affected the rent paid by your tenants? (Check all that apply.)
- 15-30%/5 Not applicable because PHA has not completely implemented the new policy.
- 30-48%/5 Most tenants are paying the same rent they were paying before PHA implemented its new policy.
- 10-24%/2 More tenants are paying a flat rent since the PHA implemented its new policy.
 - */0 Fewer tenants are paying a flat rent since the PHA implemented its new policy.
 - 1-8%/0 More tenants are paying income-based rent since the PHA implemented its new policy.
 - 1-8%/0 Fewer tenants are paying income-based rent since the PHA implemented its new policy.
- 14-29%/5 Too early to tell.
- 0.1-7%/1 Other (Please specify.)
- 20. On balance, how much will this provision of QHWRA help or hinder your ability to operate and manage your public housing and/or Section 8 units? (Check one.)

(60)

3-14%/1 Greatly hinder

(47-51)

- 11-25%/4 Somewhat hinder
- 18-34%/3 Neither hinder nor help
- 9-22%/3 Somewhat help
- 0.1-7%/2 Greatly help
- 16-32%/1 Too early to tell
 - */1 PHA was already doing this prior to QHWRA

Section 525 Site-Based Waiting Lists. This section of QHWRA gives PHAs the option to establish site-based waiting lists for admissions to public housing developments. Site-based waiting lists would allow	23. On balance, how much will this provision of QHWRA help or hinder your ability to operate and manage your public housing and/or Section 8 units? (Check one.)			
applicants to apply directly at or otherwise designate the development or developments in which they seek to	5-16%/1 Greatly hinder			
reside.	5-16%/1 Somewhat hinder			
21. Does your PHA maintain any site-based waiting lists	39-58%/1 Neither hinder nor help			
for admission to public housing developments?	3-14%/3 Somewhat help			
(Check one.)	1-8%/4 Greatly help			
11-25%/8 Yes \rightarrow Skip to Question 23.	3-14%/4 Too early to tell			
$72-87\%/7$ No \rightarrow Please continue.	1-9%/1 PHA was already doing this prior to QHWRA			
22. Which of the following are reasons why your PHA does not maintain any site-based waiting lists? (Check all that apply.)	Section 533 Voluntary Conversion of Public Housing to Tenant-based Assistance. This section of QHWRA gives a PHA the option to convert any public housing			
*/0 Not applicable because PHA has established site-based waiting lists.	project it owns to tenant-based assistance (e.g., Section 8) where the conversion would satisfy statutory objectives.			
3-15%/4 PHA is actively considering use of site-based waiting lists but is still undecided.	24. Were you aware that QHWRA requires a PHA to conduct a conversion assessment and submit the			
13-31%/0 PHA manages only one public housing community.	results to HUD no later than October 1, 2001? A conversion assessment is a review of the operations of each development operated as public housing to			
*/0 PHA does not have any waiting lists.	determine if conversion would be appropriate.			
15-33%/0 PHA believes this provision of QHWRA	(Check one.)			
works against the provision concerning deconcentration.	17-3 3%/2 Knew about the requirement for a conversion assessment but not the deadline for submission			
48-69%/1 PHA determined that centralized waiting lists were more appropriate for its needs.	to HUD. 16-32%/13 Knew about the requirement for a conversion			
*/0 Existing court orders prohibit PHA from establishing site-based waiting lists.	assessment and the deadline for submission to HUD.			
PHA is concerned about compliance with fair housing issues.	38-56%/0 Did not know about this requirement.			
PHA did not know about this optional provision.	25. On balance, how much will this provision of QHWRA help or hinder your ability to operate and			
*/3 Other (Please specify.)	manage your public housing and/or Section 8 units? (Check one.)			
	14-29%/1 Greatly hinder (75)			
	8-218/4 Somewhat hinder			
	12-26%/3 Neither hinder nor help			
	*/1 Somewhat help			
	<u>*/0</u> Greatly help			

Section 536 Public Housing Homeownership. This section of QHWRA gives a PHA the option to make public housing dwelling units, public housing developments, and other housing projects in which HUD has an interest available for purchase by low-income	28. On balance, how much will this provision of QHWRA help or hinder your ability to operate and manage your public housing and/or Section 8 units? (<i>Check one.</i>)	
families.	13-28%/1 Greatly hinder	
OC (I DUA 11' 1 - 11' 1 - 1	2-118/2 Somewhat hinder	
 Has your PHA established a public housing homeownership program in accordance with this 	30-48%/1 Neither hinder nor help	
optional provision? (Check one.)	2-118/6 Somewhat help	
$3-14\%/4$ Yes \rightarrow Skip to Question 28.	1-8%/1 Greatly help	
86-97 $\%/11$ No \rightarrow Please continue.	14-29%/4 Too early to tell	
27. Which of the following are reasons why your PHA has not established a homeownership program in accordance with this provision? (<i>Check all that apply.</i>)	Section 538 Linking Services to Public Housing Residents. This section of QHWRA gives HUD the option to provide grants to PHAs or to resident management corporations, resident councils or resident organizations for supportive services, resident	
5-18%/6 Public housing homeownership project is currently in the planning stages.	empowerment activities, and activities to assist residents in becoming economically self-sufficient. This is accomplished through the Resident Opportunities and	
29-48%/0 PHA's residents are not interested in this type of homeownership.	Self-Sufficiency (ROSS) Program. The first ROSS Program NOFA was published in 1999.	
9-23%/1 PHA does not view homeownership as part of its fundamental mission. 1-10%/0 PHA did not know homeownership	29. Did any of your PHA's resident organizations apply for ROSS program funding in 1999 or 2000? (Check	
applications were being processed by HUD under existing 5H guidance until final rule is published.	one.) 0.1-7%/1 Applied in 1999 only	
23-41%/1 PHA does not have the necessary program resources.	0.1-7%/4 Applied in 2000 only 1-9%/8 Applied in 1999 and 2000	
$\frac{17-34\%/0}{\text{for PHA}}$ The program requirements are too burdensome for PHA.	81-9 <u>3%/2</u> Did not apply in 1999 or 2000	
PHA is waiting for HUD to publish its final rule on this optional provision.	30. Did your PHA apply for ROSS program funding in 1999 or 2000? (Check one.)	
0.1-8%/0 PHA did not know about this provision.	1-9%/1 Applied in 1999 only →Skip to Question 32.	
10-2 $\underline{4\%/4}$ Other →(<i>Please specify</i> .)	Applied in 2000 only \rightarrow Skip to Question 32. 1-9%/2 Applied in 2000 only \rightarrow Skip to Question 32.	
	5-17%/10 Applied in 1999 and $2000 \rightarrow Skip$ to Question	
	32 Applied in 1999 and 2000 —35kip to Question	

70-85%/2 Did not apply in 1999 or 2000 →*Please*

continue.

31. Which of the following are reasons why your PHA did not apply for ROSS program funding in either 1999 or 2000? (Check all that apply.)	Section 539 Mixed Finance Public Housing. This section of QHWRA recognizes that PHAs may own, operate, assist, or otherwise participate in one or more mixed-finance projects in accordance with certain		
7-22%/0 PHA already has strong family self-sufficiency program.	requirements.		
2-14%/0 PHA is not familiar with this program.	 As a result of this provision of QHWRA, has your PHA requested HUD's approval to own, operate, or 		
PHA did not know that grant funds were available.	assist in the development of one or more mixed-finance projects in accordance with this		
0-39%/1 PHA did not have required matching funds.	provision? (Check one.)		
8-23*/1 Application process was too difficult and/or too time consuming.	3-13%/11 Yes →Skip to Question 35.		
PHA staff did not have time and/or technical expertise to prepare the grant application.	85-96\(\frac{6\(\frac{1}{4}\)}{\text{No}}\) No \rightarrow Please continue.		
The administrative burden of developing a program is too costly for PHA at this time.	34. Which of the following are reasons why you have no requested HUD's approval to own, operate, or assist in the development of one or more mixed-finance		
5-21%/0 PHA did not have enough families to qualify.	projects in accordance with this provision? (Check al		
7-58%/0 PHA is concerned that resident participation in	that apply.)		
such a program would be too low.	3-14%/0 PHA has better alternatives for financing		
$0-26\%/0$ Other \rightarrow (<i>Please specify.</i>)	mixed-income projects.		
	PHA is currently not interested in owning, operating or assisting in mixed-finance projects.		
22. On holomon hour much will this provision of	24-43%/1 PHA does not have the necessary funds.		
32. On balance, how much will this provision of QHWRA help or hinder your ability to operate and manage your public housing and/or Section 8 units?	0.1-8\%/0 PHA was not successful in its HOPE VI application.		
(Check one.)	PHA is waiting for HUD to publish its final rule on this optional provision.		
2-19%/1 Greatly hinder 2-12%/0 Somewhat hinder	1-10%/0 PHA did not know about this provision of the Act.		
0-37%/0 Neither hinder nor help	12-27%/4 Other \rightarrow (Please specify.)		
9-22%/5 Somewhat help	The specify of the specify of		
1-15%/6 Greatly help			
7-33%/2 Too early to tell			

35.	On balance, how much will this provision of
	QHWRA help or hinder your ability to operate and
	manage your public housing and/or Section 8 units?
	(Check one.)

38. Which of the following are reasons why you have not requested HUD's approval to administer a Section 8 Homeownership Program in accordance with this optional provision? (Check all that apply.)

(40-46)

(47)

4-15%/0	Greatly hinder
1-8%/0	Somewhat hinder
26-44%/1	Neither hinder nor help
7-20%/4	Somewhat help
3-13%/5	Greatly help
16-32%/2	Too early to tell
0 1 70 /0	DITA

- 13-28*/5 PHA's program is still under development.
 10-24*/0 PHA is not interested in providing this type of program.
 2-11*/0 PHA's residents are not interested in this type
- of homeownership.

 3-13*/5 Greatly help

 16-32*/2 Too early to tell

 0.1-7*/3 PHA was already doing this prior to QHWRA | 24-42*/10 | PHA is waiting for HUD to publish final rule
- **Section 555 Section 8 Homeownership Option.** This section of QHWRA gives a PHA the option to provide a Section 8 tenant-based homeownership program.
- on this provision.

 0.1–7%/0 PHA did not know about this provision.
- 36. Has your PHA requested HUD's approval to participate in the Section 8 Homeownership Demonstration in accordance with this optional provision? (Check one.)
- 7-20%/2 Other (Please specify.)

39. On balance, how much will this provision of QHWRA help or hinder your ability to operate and manage your public housing and/or Section 8 units? (Check one.)

37. Did HUD approve your request to participate in the Section 8 Homeownership Demonstration? (Check one.)

2-12%/0 Greatly hinder

*/1 Yes →Skin to Question 39

3-14%/0 Somewhat hinder

 $^{*/1}$ Yes →Skip to Question 39. */0 No →Skip to Question 39.

- 24-42%/2 Neither hinder nor help
- (39) 12-268/2 Somewhat help
 - 3-13%/3 Greatly help 15-30%/8 Too early to tell

Section 561 Home Rule Flexible Demonstration. This section of QHWRA gives HUD the option to carry out a demonstration program with up to 100 local jurisdictions to assume responsibility for and administer public housing and Section 8 tenant-based funds for one to five years in order to design creative approaches to providing housing assistance. 40. Has your local government (e.g., city, county, parish) submitted to HUD an application to participate in the Home Rule Flexible Grant Demonstration? (Check one.)

42. Comments. If you would like to comment further on any of the questions included in this questionnaire or topics not covered, please feel free to attach additional pages. (50)

- 30-48%/3 Do not know what local government is doing with respect to this provision.
 - */0 Yes, local government has submitted an application.
 - */0 Local government plans to submit an application.
- 33-51%/5 No, local government is not eligible for the Demonstration because PHA is a high performer.
- 6-188/3 No, local government has not and does not plan to submit an application (Please explain.)
 - */3 Other (Please specify.)
- 41. On balance, how much will this provision of QHWRA help or hinder your ability to operate and manage your public housing and/or Section 8 units? (Check one.)
- 14-29%/7 Greatly hinder
 - 1-8%/0 Somewhat hinder
- 31-49%/5 Neither hinder nor help
 - */0 Somewhat help
 - */0 Greatly help
- 16-31%/2 Too early to tell

Thank you for your cooperation.

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